



EnerNOC, Inc
500 Howard Street
Suite 400
San Francisco, CA 94105

Tel: 415 343 9500
Fax: 415 227 1645
www.enernoc.com
info@enernoc.com



ORIGINAL

May 29, 2009

Arizona Corporation Commission
Docket Control
1200 W Washington Street
Phoenix, AZ 85007

RE: Comments of EnerNOC, Inc. in the Docket for the Investigation of Regulatory and Rate Incentives for Gas & Electric Utilities.

DOCKET No. E-00000J-08-0314/G-00000c-08-0314

EnerNOC, Inc., respectfully submits the attached comments in the investigation of Regulatory and Rate Incentives for Gas & Electric Utilities.

I hereby certify that 13 copies of this Notice of Intervention have been mailed to the docket office and to the parties of record in this docket.

Sincerely,

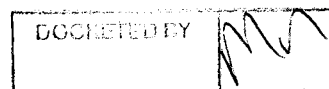
Mona Tierney-Lloyd
Sr. Manager Western Regulatory Affairs
EnerNOC, Inc.
P. O. Box 378
Cayucos, CA 93430
(415) 238 3788

CC: Arizona Corporation Commission (13)
Lyn Farmer
Janice Alward
Ernest Johnson
Parties of Record

Arizona Corporation Commission

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DOCKET CONTROL

COPY of the foregoing was mailed
this 28th day of May, 2009, to:

Service List E-00000J-08-0314			
Contact	Company	Address	City, State Zip
Brooks Congdon	Southwest Gas Corporation	5241 Spring Mountain Road (Mailstop: LVB-120)	Las Vegas, Nevada 89150
Barbara Klemstine		P.O. Box 53999, Mail Station 9708	Phoenix, Arizona 85072-3999
C. Webb Crockett		3003 N. Central Ave. - 2600	Phoenix, Arizona 85012-2913
Carl Albrecht	Garkane Energy Cooperative, Inc.	P.O. Box 465	Loa, Utah 84747
Caroline Gardiner		P.O. Box 930	Marana, Arizona 85653
Creden Huber	Sulphur Springs Valley Electric Cooperative, Inc.	P.O. Box 820	Wilcox, Arizona 82311
Daniel Pozefsky		1110 West Washington, Suite 220	Phoenix, Arizona 85007
David Couture		220 W. 6th St. P.O. Box 711	Tucson, Arizona 85702-0711
David Berry		P.O. Box 1064	Scottsdale, Arizona 85252-1064
Dennis True	Morenci Water and Electric Company	P.O. Box 68	Morenci, Arizona 85540
Douglas Mann	Semstream Arizona Propane, L.L.C.	200 W. Longhorn	Payson, Arizona 85541
Ernest Johnson	Arizona Corporation Commission	1200 W. Washington	Phoenix, Arizona 85007-2927
Gary Grim	Arizona Electric Power Cooperative, Inc.	P.O. Box 670	Benson, Arizona 85602
Gary Yaquinto	Arizona Utility Investors Association	2100 North Central Avenue, Suite 210	Phoenix, Arizona 85004
Jack Shilling	Duncan Valley Electric Cooperative's Gas Division	PO Box 440	Duncan, Arizona 85534-0440
Janice Alward		1200 W. Washington	Phoenix, Arizona 85007
Jay Moyes		1850 N. Central Ave. - 1100	Phoenix, Arizona 85004
Jeff Schlegel		1167 W. Samalayuca Dr.	Tucson, Arizona 85704-3224
Jeffrey Woner	K.R. SALINE & ASSOC., PLC	160 N. Pasadena, Suite 101	Mesa, Arizona 85201
John Wallace		120 N. 44th St. - 100	Phoenix, Arizona 85034
Justin Brown	Southwest Gas Corporation	5421 Spring Mountain Rd.	Las Vegas, Nevada 89150
Ladel Laub	Dixie-Escalante Rural Electric Association, Inc.	71 East Highway 56	Beryl, Utah 84714
Larry Robertson, Jr.		P.O. Box 1448	Tubac, Arizona 85646
Laura Sanchez	1500 Lomas Blvd. NW	Suite B	Albuquerque, New Mexico 87104
Lyn Farmer	Arizona Corporation Commission	1200 W. Washington	Phoenix, Arizona 85007-2927
Marcus Middleton		P.O. Box 245	Bagdad, Arizona 86321

Michael Kurtz		36 E. Seventh St. – 2110	Cincinnati, Ohio 45202
Michael Patten	Roshka DeWulf & Patten, PLC	One Arizona Center / 400 E. Van Buren St. – 800	Phoenix, Arizona 85004
Michael Curtis		501 East Thomas Road	Phoenix, Arizona 85012-3205
Michael Fletcher	Columbus Electric Cooperative, Inc.	P.O. Box 631	Deming, New Mexico 88031
Michael Grant		2575 E. Camelback Rd.	Phoenix, Arizona 85016-9225
Mona Tierney-Lloyd	EnerNOC, Inc.	P.O. Box 378	Cayucos, California 93430
Paul Griffes	Mohave Electric Cooperative, Inc.	P.O. Box 1045	Bullhead City, Arizona 86430
Paul O'Dair	Navopache Electric Cooperative, Inc.	1878 W. White Mtn. Blvd.	Lakeside, Arizona 85929
Randy Sable	Southwest Gas Corporation	5241 Spring Mountain Road [Mailstop: LVB- 105]	Las Vegas, Nevada 89150
Raymond Heyman	Unisource Energy Corporation	One S. Church – 1820	Tucson, Arizona 85701
Richard Adkerson	Ajo Improvement Company	P.O. Drawer 9	Ajo, Arizona 85321
Graham County Utilities, Inc.	Russ Barney	P.O. Drawer B	Pima, Arizona 85543
Scott Canty	The Hopi Tribe	P.O. Box 123	Kykotsmobi, Arizona 86039
Thomas Mumaw		P.O. Box 53999, Station 9905	Phoenix, Arizona 85072-3999
Timothy Hogan		202 E. McDowell Rd. – 153	Phoenix, Arizona 85004

May 29, 2009

Comments of EnerNOC, Inc. Regarding May 20, 2009 Workshop

EnerNOC appreciates the opportunity to present at the workshop on May 20, 2009, as well as offering additional comments at this time.

EnerNOC applauds the leadership of the Commission and the Staff on investigating setting targets or goals for reducing energy consumption. EnerNOC believes that reducing peak demand through establishing load reduction targets will compliment the Commission's energy efficiency strategy and, therefore, urges the Commission and Staff to consider establishing a peak load reduction target alongside an energy efficiency target. Peaking facilities tend to be the most costly resources in a utility resource stack because they are used infrequently to meet demand that may only occur in 1% of the hours in a year. The alternative to increasing the supply resources in a utility's stack is to decrease the demand it must serve at critical, peak times thereby treating the demand reduction as an alternative resource.

Effective peak load reduction programs are beneficial to consumers who participate in those programs and to non-participating consumers. Participating consumers get the direct benefit of reduced or avoided demand charges, where applicable and, in terms of EnerNOC's programs, a financial benefit for responding to demand response events. Non-participating customers receive a benefit of lower on-peak costs of meeting system demand and, therefore lower overall costs. Demand response may defer system infrastructure investments and therefore, more efficiently utilizes existing infrastructure. It does not require costly and protracted siting approvals, either for transmission or generation facilities. Programs can be operational within a matter of months, as opposed to years. Programs may be scalable to increase the program size, depending on the size and penetration of the commercial and industrial market. The events may be called for reasons determined by the utility, but limited to a certain number of hours per year. The program design, in terms of number of events, duration of events, when events can be called (in terms of which days and during what hours), the notification period and the response period are all elements of designing a demand response program.

Proposals of TEP and APS:

Both TEP and APS proposed that a peak reduction target (3%) be considered within the energy efficiency target (15%). In other words, peak load reductions, measured in kW or MW, would be translated, by use of a load factor, into energy efficiency savings, measured in kWh or MWh. The reason for including a peak load reduction target within the energy efficiency target was because both TEP and APS believed that the energy efficiency target was a stretch goal, and difficult to achieve. Therefore, both TEP and APS would like to have as many tools available to them, including demand response or peak load reductions, in order to meet the energy efficiency goal.

While EnerNOC would agree that the level of energy efficiency currently undertaken by the utilities in reference to the potential levels that would be necessary in order to achieve the target is significant, EnerNOC cannot offer an opinion as to whether or not the target is achievable without the demand response “tool”. What EnerNOC can opine upon, however, is the efficacy of such a construct to achieving either a peak load reduction target or an energy efficiency target.

EnerNOC is concerned that this construct may be deleterious to either goal for the following reasons:

1. It is important for any energy efficiency and peak-load reduction program to produce measurable and verifiable results. Translating demand into energy or vice versa will not produce “measurable” results for either target and will only raise concerns about assumptions underlying the translation of one factor into another.
2. Peak load reductions focus on reducing demand (kW or MW).
3. Energy efficiency targets focus on reducing energy consumption (kWh or MWh).
4. There may be some kWh or MWh savings resulting from peak load reduction events, but they may not be significant.
5. Using a load factor to translate peak load reductions may overstate energy efficiency savings, relative to actual energy savings.
6. Conversely, energy efficiency savings could be translated into overall peak reductions by using a load factor that may or may not reflect true demand reductions.

Therefore, EnerNOC would recommend that the Commission look at establishing separate targets for both peak load reduction and energy efficiency savings. At this time, EnerNOC would suggest an overall peak load reduction goal of .5% per year, with a resulting reduction of peak demand in 2020 of 5% relative to 2009 data.

This target is reasonable relative to the proposals in other states that have adopted peak load reduction goals.¹ Many of these states have laws that require reductions of between .75% and 1% per year.

Programs, such as those offered by EnerNOC, provide real, verifiable load reductions that are measurable. With those features, compliance is more easily demonstrated.

¹ EnerNOC May 20, 2009 Presentation at Pgs. 12-13